

MEMO

DATE: April 15, 2005
TO: Regional Comprehensive Plan Task Force
FROM: Bruce DeVine, devine@scag.ca.gov, (213) 236-1903
RE: Economic Policy Measures Advocated by SCAG

Action:

Provide input to Staff regarding issues to be addressed in the Economy and Workforce Training chapter of the Regional Comprehensive Plan and direction on the Action Plan for the chapter.

Background:

Much of an economist's output at an agency such as SCAG is explanatory rather than policy creation-oriented. In reality, the region, unlike the state or the cities and counties, has little real economic policy power. What SCAG lacks in enforceable policies and powers, however, it makes up for in the crucial area of information. Our information gathering and processing, combined with our vision for the whole region and its place in the state and the nation, enables SCAG to make reasonable and informed recommendations on economic matters.

The attached matrix, titled "**SCAG Economic Policy Statements and Recommendations for Revision**" contains a list of such recommendations culled from four key SCAG documents: the Economy Chapter of the 1996 RCP&G, the 2004 RTP, Southern California Compass, and the "Southern California Regional Strategy for Goods Movement: A Plan for Action" (March 2005)

You will notice that the right hand column of the matrix is incomplete. Time and project constraints prevented me from completing it in time for this agenda, although most of the economic policy recommendations quoted in the matrix are somewhat timeless. The prescriptions for regional economic problems, in most cases, still apply. We do have new situations and new priorities to deal with--the port/logistics/goods movement issues, for example. But hopefully I have picked up enough from the four documents to give us some subject matter to work on.

At our April 25 Task Force meeting, in addition to discussing economic policies and needed changes, I would also appreciate the Task Force's direction and assistance in finalizing an action plan for chapter completion. Your input, particularly regarding the levels of government responsibility for various types of policy, will be invaluable.

SCAG Economic Policy Statements and Recommendations for Revision

Based on the Economy Chapter of the 1996 RCP&G, the 2004 RTP, Southern California Compass, and the
"Southern California Regional Strategy for Goods Movement: A Plan for Action" (March 2005)

April 2005

Regional Comprehensive Plan Task Force

RCP&G Economy Chapter Overarching Theme Statement:

A new economy forces a new set of public and private sector assumptions and priorities. . . . a new economic model must be developed that positions both business and government to be profitable and competitive regionally, nationally and internationally. Within this new economic paradigm growth and wealth creation will be measured . . . in terms of human resources, the skill levels of regional workers, and the pipeline of future workers. For this reason, public and private sector organizations and regions must think strategically as they develop plans for their future. The foundation for such a model is to identify and capitalize on competitive advantages found within Southern California's business, government and educational institutions and create a complementary infrastructure. (Emphasis added).

| Policy Statement | | Recommended Change or Comment |
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| 1 | (Under "Regional Economic Goals") Income targets for 2020 should be phrased in terms of desired growth rates of real income, . . . | None |
| 2 | The region's gains in economic prosperity (should be) shared broadly by residents throughout the region. | None |
| 3 | . . . attracting, retaining and training a diverse labor force has become an increasingly important objective for regional economies. | More emphasis needs to be put on this point given the low level of educational achievement of much of our work force and working age youth. Note the overarching theme statement's reference (above) to the quality of the region's work force. |
| 4 | Regional policy makers need to be concerned with five major categories of competitive resources: a. A competitive work force b. Efficient infrastructure c. Quality of life d. The "business climate" e. Business leadership | |
| 5 | For the region to remain globally competitive . . . significant new investment will be required to expand capacity in order to benefit from the strong growth in international trade expected . . . | |
| 6 | Governments and private sector organizations must develop global trade logistics infrastructure support facilities that will help local businesses remain competitive and assist the region in attracting foreign investment. | See also statements #17 through #21, below. |
| 7 | Quality of life includes environmental amenities, adequate resources to combat crime, cultural resources, affordable housing, and efficient transportation systems. | |
| 8 | Rules and regulations are a factor in business location . . . Southern California cannot ignore the implications of permit processes on location decisions. | |
| 9 | The new economy makes impractical and inappropriate the old hierarchical, big company-dominated (leadership) structures of the past. It will require a new kind of business leadership—drawing from the region's increasingly diverse economic and demographic base. | |

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| 10 | The region must increase its share of employment in those industries and service sectors where wages and salaries will be higher than average and where growth nationwide and internationally is expected to be strong. The emerging information-driven industries represent the fast-growth, high-wage arenas that will define the nation's economic future. | |
| 11 | A state-of-the-art strategy to energize basic industry will require collaboration and cooperation through industrial clusters . . . The first step is to increase awareness of both the private and the public sector in the region as to what efforts are already under way supporting industry cluster formation. | |
| 12 | Public investment is necessary to attract private investment, as well as to maintain and improve the quality of life. The ability to attract workers and firms is dependent upon critical infrastructure investment that can create good schools, mitigate congestion and crime problems, and create world class recreational opportunities. | |
| 13 | . . . fundamental fiscal reform at the state and local level will be required in order to meet the capital investment requirements of the region's economy. The paramount importance local government accords sales tax revenue places a premium on tax-generating retail business rather than on wealth-generating basic industry. | Primarily <u>State</u> fiscal reform, including curbing state government's ability to hijack local school and transportation funds. At the local level, de-emphasis of sales tax is needed. |
| 14 | It is the responsibility of SCAG and other regional organizations, in cooperation with regional businesses, to achieve buy-in at the subregional, city, and county levels to the need for expanding the region's economic base. City management and . . . local elected officials must become active partners in the regional economic strategy. | |

Relationship of the 2004 Regional Transportation Plan to RCP Economic Policy

"The 2004 RTP boosts regional employment economic vitality through transportation infrastructure investments funded through the private sector and backed by user fees . . . This regional strategy, if successful, will become a powerful economic development tool that will generate jobs, increase per capita wealth and restore economic competitiveness and social equity. In the long run, private sector infrastructure investments can revitalize the SCAG Region's economy and enhance its global economic position. . . Moreover, the economic benefits from private investments of this magnitude will not be confined to the SCAG Region; positive State and national economic impacts will also be generated."

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| 15 | Adjust the fuel excise tax rate to maintain historical purchasing power. Further, maximize fuel tax revenue through pay-as-you-go and debt financing. | |
| 16 | Pursue user-fee supported project financing for major regional investments where applicable. | |

Economic Policy Measures Advocated in the Southern California Goods Movement Policy Paper

One-third of all waterborne freight container traffic at U.S. ports is handled by the Ports of Los Angeles and Long Beach. Fifty to seventy percent of the freight coming into these two ports is headed for destinations outside the region . . . Southern California provides these services to the nation while enduring substantial local burdens, including traffic congestion, air pollution, noise, public health impacts, visual blight, and freight-related safety incidents. These burdens are not compensated, thus forming an effective subsidy for lower-priced goods in other states . . . The national purpose served by Southern California's goods movement system points to the need for strong federal assistance in addressing the problem.

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| 17 | The federal government should explore ways to compensate the region for the services it provides, and should take legislative action to allow the region to pursue innovative funding strategies to build the needed infrastructure. | |
| 18 | Improvements to the goods movement system should not come at the expense of other transportation system investments . . . Other sources of public and private funds must be tapped (homeland security, environmental protection, defense funds, user fees, and growth in customs fees, among others). | |
| 19 | Both the Federal and State governments must act to support innovative procurement and public-private funding mechanisms. | |
| 20 | Again, given current limits on local and state finances, innovative methods will be needed to procure and pay for these system improvements. Policy makers have the responsibility to enhance innovative financing opportunities so that public funds can better support critical goods movement projects | The Goods Movement Policy Paper contains a list of innovative financing arrangements that involve local borrowers and the state and federal governments. While these are not strictly economic policy measures they are included here because they involve financial activities that are related. |
| 21 | Three types of initiatives are currently being implemented by public and private sector goods movement stakeholders in southern California: <ul style="list-style-type: none"> • Operating enhancements • Environmental mitigations/enhancements, and • System/physical enhancements. Each category includes both short-term actions – generally, those that will have an effect immediately, or within about the next five years – and longer-term actions. | Following this statement is a long list of actions being undertaken or to be undertaken to enhance the efficiency of the region's goods movement sector while at the same time reducing its negative side effects. As these are not strictly economic policy measures, we refer the reader to SCAG's Goods Movement Policy Paper for details. |
| <p align="center">Southern California Compass: Growth Visioning and Economic Policy</p> <p>Among the various strategies and principles for managing growth crafted by the Growth Visioning Subcommittee the ones most relevant to economic policy are Mobility and Prosperity. Much of what the Compass project has to say in these areas has already been covered in the sections above, but it may be worthwhile to rephrase it in Growth Visioning terms.</p> | | |
| 22 | Under "Mobility" the following recommendations appear: <ul style="list-style-type: none"> • Encourage transportation investments and land use decisions that are mutually supportive. • Locate new housing near existing jobs and new jobs near existing housing. | |
| 23 | The "Prosperity" Principle is stated as "Enable Prosperity for all people", virtually the same as statement #2, above, from the Economy chapter of the RCP&G. Under this Principle we find: <ul style="list-style-type: none"> • Provide in each community a variety of housing types to meet the needs of all income levels. • Support local and state fiscal policies that encourage balanced growth. | |
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